

D.P.U. 96-28

Application of Nantucket Electric Company, under the provisions of G.L. c. 164, § 94G(a), for approval by the Department of Public Utilities of the Company's annual performance program relating to fuel procurement and use.

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FOR: NANTUCKET ELECTRIC COMPANY
Petitioner

On February 1, 1996, pursuant to G.L. c. 164, § 94G(a), Nantucket Electric Company ("Nantucket" or "Company") submitted a petition to the Department requesting approval of proposed generating unit performance goals for the period April 1, 1996 through March 31, 1997. Section 94G(a) requires each electric company to file with the Department annual performance programs that provide for the efficient and cost-effective operation of its generating units. Each company's performance program must include proposed unit and system performance goals for availability factor ("AF"), equivalent availability factor ("EAF"), capacity factor ("CF"), forced outage rate ("FOR"), and heat rate ("HR"). The petition was docketed as D.P.U. 96-28.

Pursuant to notice duly issued, the Department conducted a hearing on the Company's petition on March 7, 1996. In support of its petition, the Company sponsored the testimony of Douglas Kenward, director of planning and regulatory affairs. The evidentiary record includes 10 exhibits, two entered by Nantucket and eight entered by the Department, and one response to a record request. No petitions for leave to intervene were filed.

Nantucket's generating system is isolated from the mainland and relies on diesel generating units to meet baseload demands; therefore, the methods on which the proposed unit goals were based are unique to the Company. The Company's supply portfolio includes Units 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, and 15 (Exh. N-1, at 3). Unit 1 has been in a deactivated status since January 1993, and Unit 2 is retired; therefore, both units were excluded from the Company's supply portfolio (id.). Units 8 and 9 also have been retired from the Company's supply portfolio (id.). Units 14 and 15 are the two General Motors diesel units, formerly referred to as EMD 1 and EMD 2, whose net maximum capacity ("NMC") is 2,500 kilowatts ("KW") (id.). These units were obtained through a lease arrangement with New England Power Company ("NEP") in the

spring of 1994 (id.; Tr. at 7).

The Company proposed performance goals for Units 3 through 7, and Units 10 through 15 (Exh. N-1, at 3). AF and EAF goals were calculated using projections of planned outage hours ("POH") and forced outage hours ("FOH") (id. at 4). EAF goals for Units 5, 6, and 7 also incorporated equivalent seasonal derated hours ("ESDH") (id.). CF goals were determined by dividing the projected net generation of each unit by the maximum possible generation across the performance period (id. at 5). FOR goals were calculated based on the average of the last three years for all generating units, except Units 3, 7, 14, and 15 (id. at 4). Because performance data for Unit 3 is available only for the most recent two-year period, the Company proposed the FOR goal and all other performance goals for Unit 3 based on its two-year average performance data (id.; Tr. at 5-7). The FOR goal and all other performance goals for Unit 7 were based on the average performance data for the three years of 1992, 1994, and 1995, because, according to the Company, Unit 7's performance results in 1993 were atypical and, therefore, were excluded from the consideration (Exh. N-1, at 4; Tr. at 7). The FOR goals for Units 14 and 15 were based on NEP's contract specifications for the units, which guarantee that the units would operate at an AF of not less than 90 percent (Exh. N-1, at 5). The HR goals for all generating units, except Units 14 and 15, were set at a level corresponding to the best HR achieved across the most recent three years of operation (id. at 3-4). The HR goals for Units 14 and 15 were based on the actual heat rates achieved by these units in 1995 (id. at 4).

System AF, EAF, CF, and FOR goals were derived as a weighted average (based on projected net generation) of all units (Exh. DPU-2). The system HR goal was identified as the

average of the last three years (Exh. N-1, at 3).

The proposed performance goals identified by the Company in Exhibit N-2 conform to the requirements of G.L. c. 164, § 94G(a), and Department precedent.¹ The Department finds that the proposed goals are reasonably attainable given reasonable and prudent maintenance and operation of the Company's generating units. Accordingly, the Department orders that the performance goals for the period April 1, 1996 through March 31, 1997, shall be those identified by the Company in Exhibit N-2 (attached).

¹ According to Department precedent, the individual unit performance goals are typically based on the most recent three-year historical performance data. However, in Nantucket Electric Company, D.P.U. 95-28, at 3 (1995), the Department found that performance results of Unit 7 in 1993 were atypical and should be excluded from consideration. Also, because Unit 3's performance results for the period prior to 1994 are not available, the Department finds that setting the performance goals for Unit 3 based on the two-year average performance results is appropriate.

The Department further orders that the Company shall file its next performance program goals by February 1, 1997, and that the next performance period shall run from April 1, 1997 through March 31, 1998.²

By Order of the Department,

John B. Howe, Chairman

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner

² The Department notes that the undersea cable connecting Nantucket's electric system with the mainland transmission network of New England Electric System ("NEES") is scheduled to be in service on March 1, 1997 (Exh. DPU-7). According to the Company, after placing the cable in service, Nantucket, like all other retail subsidiaries of NEES, will receive power from NEP as an all-requirements customer (RR-DPU-1). If the Company believes that its new status as of March 1, 1997 makes it exempt from the Department's generating unit performance review and goal-setting proceedings under G.L. c. 164, § 94G, a proper notice explaining the Company's rationale for not filing the performance program proposal should be filed with the Department no later than January 1, 1997.

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).